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SUBJECT: AMBASSADOR DISCUSSES IRAN, AZERI GAS, NUCLEAR
POWER AND DOE ENERGY CONFERENCE, WITH ENERGY MINISTER YILDIZ

Classified By: AMB James Jeffrey for reasons 1.4 (b,d)

¶1. (U) Ambassador Jeffrey met with Energy Minister Yildiz on February 3 to discuss the DOE energy efficiency conference, expected nuclear power plant projects, Iran, and negotiations with the Azeris on Shah Deniz gas. Yildiz, for reasons unknown but appreciated, hauled ambassador out before the media, which was awaiting the Iranian foreign minister's visit to Yildiz, essentially to allow us to deploy our warnings about Turkish-Iranian energy cooperation.

GOT WILL SUPPORT DOE ENERGY EFFICIENCY CONFERENCE

¶2. (U) DOE is working with the American Turkish Council (ATC) to hold a regional (SE Europe and Caucasus) energy efficiency conference in Istanbul June 3-4. Ambassador Jeffrey passed Yildiz a letter from DOE Deputy Secretary Poneman inviting Yildiz to be a key note speaker at the conference. He told him that DOE and ATC expect to be able to finance the conference with private support, but would like the ministry's official support. Yildiz enthusiastically agreed.

GOT INTERESTED IN TDA ORIENTATION VISIT ON NUCLEAR ENERGY

¶3. (U) When the ambassador raised the possibility of a USTDA orientation visit on peaceful nuclear power generation, Yildiz said he would be interested in sending a team to the U.S. He said they have already formed a team to work on regulatory and other aspects of nuclear power and they are in touch with officials at the relevant U.S. agencies.

AKKUYU NUCLEAR PLANT TO RUSSIA BY IGA

¶4. (C) Yildiz confirmed that the nuclear power plant to be built in Akkuyu will be awarded to Russia through an intergovernmental agreement. He said they still plan to build a second plant in Sinop, which they will open for bids. Ambassador Jeffrey indicated that U.S. companies may be interested in bidding on the project, noting that President Obama has indicated openness to a new generation of safe, clean nuclear power plants.

CONTINUED PURSUIT OF IRANIAN ENERGY DEALS

¶5. (C) Ambassador emphasized that now is not the time for Turkey to be doing hydrocarbon business with Iran. He recognized that Iran is Turkey's neighbor and trading

partner, but stressed that now is not the time for business as usual. He added that we do not believe Iranian involvement in Nabucco is a good idea at this time. In response, Yildiz only asked rhetorically, "Do you have any alternatives for us?"

STILL SLOW PROGRESS ON SHAH DENIZ NEGOTIATIONS

¶6. (C) Regarding negotiations with the Azeris on natural gas, Yildiz said they have reached agreement on price for Shah Deniz I gas. They have not agreed on Shah Deniz II volumes or price, but the negotiations continue. He said they made a reasonable proposal on volumes, which the Azeris are now considering. He said the Azeris rejected Turkey's latest offer on transit fees, but he thinks they will eventually accept it. Yildiz assured us the Turkish side is being reasonable and doing all it can to move the negotiations forward.

COMMENT

¶7. (C) Yildiz was especially upbeat throughout the meeting. Notably, he refrained from expressing frustrations with the Azeris or the lack of progress on negotiations. Regarding the nuclear plants, given the frequent changes of plan thus far, we do not take Yildiz's comment as final confirmation the Sinop project will be awarded through an open tender, though it does appear more and more certain the Akkuyu project will go to the Russians. Whether coincidentally or intentionally, Yildiz's schedule offered a final comment on

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the sincerity of Turkey's pursuit of Iranian energy: immediately following our meeting, Yildiz received Iranian Foreign Minister Mottaki. Yildiz's giving an impromptu press conference with the ambassador just before that meeting, allowing us to repeat in public our concerns about energy cooperation with Iran, was frosting on the cake.
Jeffrey

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